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Success factors for concept stores

FINAL WORK PROJECT

Based on *Nuno Gama – New Concept store development* business project

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Note: the content exposed in the present work project has been integrally integrated into the business project: *Nuno Gama – New Concept store.*

Table of content

1. Brief context of the business project

a. Company

The Nuno Gama brand was established in 1993 and quickly expanded in Portugal and abroad. In 1996 the brand had its own distribution network and Nuno Gama garments were available in over sixty stores, out of which, nine were fully owned by the Company. Unfortunately this period of expansion ended two years later when a fire destroyed a season worth of apparels in the warehouse stocking up clothes that had to be delivered to retailers.

Following the unfortunate event, came a period of reflection for Nuno Gama himself. He would only re-start operating for his own account and his own name eight years later, in 2006. Following well received collections, Nuno Gama opened a flagship store in Lisbon in 2012. That same flagship store closed in March 2014 to be soon replaced by a concept store entirely dedicated to the Nuno Gama brand. At the moment the brand only features men garments and accessories but the designer is considering expanding to women fashion in the future.

b. Market overview

Nuno Gama is a Portuguese high end fashion, niche brand, meaning a fashion niche brand that falls in between the premium and the luxury segment. It's therefore relevant to have a look at the fashion market in Portugal, from the point of view of luxury goods and from the point of view of men garments.

The luxury goods market in Portugal is relatively small and sold €800 million worth of products in 2012 but is growing fast, increased by foreigners that already account for 60% of the total purchases. Angolian and Brazilian tourists are by far the most active foreign consumers of luxury products in Portugal.

In the Portuguese man apparel market, things are different as it shrunk from €1,757.3 million to €1,380.2 million between 2010 and 2013 (Euromonitor, 2014), nevertheless this market is expected to grow again this year, following the general improvement of Portugal economic situation.

Please note that because of its positioning as a luxury brand that is *inaccessible*, *inimitable*, and *incomparable*, Nuno Gama does not fear direct competition.

c. Current client situation

The business project Nuno Gama – concept store started in February 2014 when the designer was about to close down his flagship store to replace it by a concept store.

By creating a concept store, Nuno wants to be closer to his clients, providing a more personalized service through the management of different areas within the store, as well as enhancing the shopping experience through the availability of accessories and other products. Furthermore, the *Portugalidad* of the designer will be found in the restaurant and the hairdressing services built into the concept store. More than regular shopping, the concept store has as objective to create *a full emotional and sensorial experience* for the consumer.

d. The business project challenge

Completing the challenge of the business project lies in

a) successfully diagnosing the current state and positioning of the Nuno Gama brand.

b) accurately coming up with a precise analysis of the intrinsic characteristics the concept store needs to feature in order to achieve the objective of "creating a whole experience for the shopper".

d) providing recommendations about the positioning, marketing and product portfolio.

In order to achieve these goals with the Business Project team we needed to gain knowledge in the fields of fashion retailing and the luxury market. Thankfully, we could count on the precious help of our business advisor that provided us with much information on the topic and delivered a full day workshop on the subject. Literature helped somewhat but the Nuno Gama brand is positioned in way that does not strictly follow any theoretical model, for that reason relying on common sense and intuition was necessary. The definition of the concept store we made by ourselves, is an example of the relative freedom we gave ourselves in some parts of the business project.

The current challenge for Nuno Gama is to materialize all those ideas into the final project which is scheduled to open its doors very soon in Principe Real, Lisbon.

e. Summary and conclusion

To summarize, this business project was a great opportunity to learn about high end fashion and luxury goods markets, as well as structural changes happening in the retail sector, a trendy topic.

The classic, fast moving consumer goods retail sector is switching to online models while consumers are looking for the experience when going shopping in physical outlets. The change is happening slowly but the trend is already there, affecting not only fashion designers like Nuno Gama but the whole retail industry.

Yes, the business project has been challenging and with the team we invested new grounds with little literature to rely on. We are confident that the conclusion of our business project will be useful to Nuno Gama and help him set up a successful concept store in Lisbon.

2. Success factors for concept stores

a. Introduction – the definition

During the business project it appeared clearly at some point that the team had to specify exactly the field of work and area of research concerning the concept of concept store. Certainly, many stores proclaim themselves as “concept stores” but use a retail model fairly close to the one of department stores, adding to it only a singular interior design. Those stores could therefore be classified as artistic department stores or design department stores – 21 Principe Real “concept store” in Lisbon illustrates this notion very well-. The concept of concept store goes far beyond the aesthetics of the store interior design. Using existing definitions, the scope of the project, the workshop we attended, and what we learnt so far in retail we made the following definition for the purpose of the business project:

*A concept store is a **one-of-a-kind retail model** organized around a **unique, ever-changing, and multi category** assortment of products and/or services that, together, evoke a **particular and deeper philosophical meaning** and provide the consumer with a **full emotional and sensorial experience.***

This work project has the objective of firstly using statistical and empirical analysis to determine how to practically reach the objective of creating a *full emotional and sensorial experience* for the shopper, and secondly making that particular experience renewable in order to increase customers visit rate and sales.

b. Analysis

i. Statistical analysis

The statistical analysis is based on a list of retail outlets considered by Alexander von Keyserlingk as *concept stores* and freely available on his retail blog (slowretail.wordpress.com). The list contains the name, address and website of 185 shops, classified by country. I went through the whole the list and removed from it all the stores that were out of scope and did not match the key characteristics of a concept store (see a.). Then I erased from the set, the stores that were closed and/or for which no information was available; finally concerning concept store's chains, I kept only the most significant store: the biggest or the oldest one.

After filtering the list 103 stores were left, for which I gathered the following information (when available):

Parameter	**Reason for looking up that information**	**Average found**	**comment**
Opening year	Because stores usually don't disclose their financial results, it is hard to assess if a store is particularly financially successful. So looking at *how many years the store has been open for* makes it possible to assess more or less precisely if business is profitable	9 years	The model of concept store is rather new, the oldest was opened 24 years ago, and since the opening rhythm accelerated over the years as the retail model increased in popularity.
Number of product categories sold	To match the definition of the concept store, it's imperative to sell more than one type of goods. But the number of categories of products on display can vary greatly from store to store	6.7 different product categories	Usually concept stores try to find a balance between offer and cost. More categories means more risks and some categories demand a specific knowledge from the shop management

Price level	The objective is to see how stores position themselves using prices and product offer. Example: *Can I buy something (anything) with a €20 bill in that shop?* If the answer is yes, then the store sells cheap items, and this regardless of the nature of the item. **low** (<€100), **medium** (€100-450€), and **high** (>€450)	See figure 1. in appendix A	Some stores write black on white their willingness to offer something for every budget (Merci, Paris) while others only feature expensive, exclusive merchandise (10 Corso Como, Milan). See the empirical analysis
Mono/multi brand	The concept store can be selling many different product categories but under only one brand: mono brand store or coming from different brands: multi brand store	96% multi-brand	Most retail outlet analyzed sell products under different brands. Karl Lagerfeld concept store is one of the rare mono brand concept store
newsletter	The objective is to determine if the concept store has an active online presence and use it to increase shoppers visit rate to the shop	58% feature a newsletter	More than half of concept stores analyzed propose online visitors to subscribe to a newsletter
restaurant	Check if including a restaurant to concept stores is common practice	23% include a restaurant	About a fourth of the stores analyzed feature a built in restaurant. Colette in Paris has a water bar as well as a restaurant

ii. Empirical analysis of special cases

The most famous concept stores are usually considered as art galleries and often constitute a *must see* for tourists. Using fashion magazines & blogs, internet searches and the statistical analysis on part i. it has been possible to select eight different concept stores of importance. Unique, renowned, emblematic and sometimes trend setters, they offer an interesting outlook on concept stores key features. From each concept stores own website, from retail and fashion articles, from news and customer reviews on websites like Yelp, Foursquare and TripAdvisor, it has been possible to paint a picture of each store. From these portraits the main characteristics that make the place unique, and that contribute to its success have been extracted.

10 Corso Como in Milan is seen as the first real concept store as described in the definition of the point 2.A. The concept store opened its doors in 1990 under the artistic direction of Carla Sozzani and has been operating since. This is the best example of a place where art and retail meet, where rare products become expensive pieces of art.

Moss in New-York learned the hard way that besides intriguing visitors and setting the next trend, selling is important. Despite its reputation, the store became a free museums for tourists and locals of very expensive and exclusive pieces. It closed down in 2012, and re-opened under the form of an art bureau, dealing with exclusive sales and art consultation. Comparing Colette and Moss shows the importance of offering a large price range of items to capture all visitor surplus whether the potential client is rich or not.

Colette opened in 1997 in Paris; offering a curated assortment of a very wide range of product categories and prices, the concept store differentiates itself by its capacity to innovate and spot the trend before it happens. There is a perpetual idea of movement with new articles on the shelves every day, a strict selection of what it will and will never sell, as well as many partnerships with famous brands.

In London, the Dover Street market got its reputation by displaying very original and unexpected interior designs renewed twice a year, in which, a curated assortment of products –among exclusive pieces- takes place. Mainly focused on luxury items, the concept store is built in what used to be an art school, not far from London main shopping streets.

Merci, Paris had two interesting ideas. Firstly it offers *the one and the other* meaning every item sold in the store is there for a reason that has nothing to do with price nor brand. As a result are displayed very expensive articles next to very cheap ones, as long as both fit the store artistic style. Secondly, it wants to be seen as a *store destination*, meaning, a place where people go for the shopping experience rather than for buying specific products.

In order to promote his label and chain of classic retail stores, Karl Lagerfeld opened his own concept store in Paris. The store, on top of offering the brand's garments, features a wide range of accessories, all selected by Karl himself and matching his black and white style. No third party brand is available in the store, and the latest technology is adapted to the world of fashion thus allowing visitors to virtually communicate with the designer and watch the latest fashion shows.

> "Black-and-white always looks modern, whatever that word means"
>
> *Karl Lagerfeld*

Apropos is a chain of luxury and concept stores established in Germany. In 2013, the company opened a concept store in München dedicated to men only. But women are welcome too, as the store is advertised as *a new heaven for men gifts*. This positioning allows the store to increase its base of potential customers without risk of diluting the brand or affecting its luxury position. The shop is using the internet to communicate with its current customers, and its website features a selective e-commerce platform selling only part of the concept store portfolio.

c. Implementing the full emotional and sensorial experience

After analyzing what are common practices in the concept store retail sector, the question is practically implementing the *full emotional and sensorial experience.*

The experience is created via three complementary strategies. Firstly, the unique selection of products on display and available for sale, secondly, the calendar of events and in store exhibitions, ultimately, the extra services available in the store.

For the concept store to be a superior shopping experience, it has to feature a broad range of item categories, for example selling books, wine and clothes. Furthermore all articles put together have to tell a story and be aligned, like if they have on a common basis, and the product range has to create harmony within the store. Like Moss, New York has shown it's preferable to reach the pockets of shoppers with different purchasing power, by offering not only a wide range of brands but items priced differently, as well described by Merci as "the one and the other" at the risk of becoming a "free [entrance] museum". By selling exclusive products, the concept store gives another reason for potential clients to come to the store; to feel privileged and live an exclusive experience.

The concept store has three ways to create an exclusive range of products that justifies the customers' visit:

- It can outsource the production of internally designed items and affix its own brand on it. In this case the concept store takes all the risk and potential reward of product development.
- It can select products that already exist and are already being sold elsewhere but by matching them in the concept store in a unique blend it create a unique portfolio.
- Its products are developed by the concept store itself in partnerships with famous brands. This solution has the advantage of relying on the experience of the partner, its renown. It's an opportunity to share development related costs and risks and the partnership can significantly boost the brand awareness of both companies. However, it remains to be seen whether or not the reputation of the concept store is important enough to manage to sign relevant partnership agreements.

Then, the shopping experience has to be enhanced by the organization of (exclusive) events and temporary exhibitions. Those have to be aligned with the concept store style, add value to the reputation of the store and its product portfolio. Finally, services such as restaurants and/or bars can complete the concept store experience by enabling the client to enjoy the atmosphere of the store and the brand in an alternative way to shopping.

d. Creating a renewable store experience

Investing in a concept store costs inarguably more than in a *classic retail* store. The increase in costs is justified by the added value of the concept store to the brand (awareness, image) and the fact that clients visit the concept store more often than they would visit a simple store, due to the shopping experience. For that matter, motivating clients to come by often and so increasing the probability of them buying goods by having them directly in the store is important. This process is called making the experience *renewable*. Analyzed concept stores have put in place a number of strategies to increase clients visit rates.

> [the concept store] isn't just about shopping. It's about the experience at the store, which changes its theme every four to-eight weeks -- merchandise, decor and all.
>
> *Rachel Shechtman*

Some stores change their interior design completely every new collection (6 months) or every year, others organize events and temporary exhibitions, have new products on the shelves every day (or every week), limited shelf life, and sell exclusive products under their own brand or in partnership with a renowned company. As seen in the statistical analysis, online newsletters are often used as a way to keep loyal clients up to date with events and recent updates. Limited e-commerce has its role as well in motivating customers to go visit the physical concept store, to buy products that aren't available online. See figure 2 in appendix A for the graph version.

3. Reflection on learning

a. Previous knowledge learned from your Master's program

i. Masters content applied

The necessary skills for this project were the ability to work in team, to be able to quickly learn how the luxury and high end fashion industries function, and apply the concepts to a real case. Furthermore, knowing how to conduct both empirical and statistical analysis and how to draw conclusions from the data collected has been important as well.

b. New knowledge

i. New methodologies and tools used

To start, the business project Nuno Gama – Concept Store mixes different business processes: garment design, manufacturing and retailing at the same time. For that reason, it is important to have a clear understanding of the challenges each process faces, which have been clearly exposed by Nuno Gama himself during the briefing and the midterm presentation. Additionally, when thinking about business in academia, one always looks at decreasing costs and improving profitability. In the specific case of Nuno Gama, his objective is different and so are his business choices. For example, he decides to produce his garments only in Portugal. This decision increases production costs (comparing to producing in Bangladesh like Inditex for example) but gives him credibility when defending and exposing the Portuguese heritage in his work. This is only one among many examples of business decisions taken by the designer that would not hold in academia, and that written in an assignment would give a particular student an F grade.

Then, in terms of business model, Nuno Gama hardly fits into one single theory. Therefore being creative and learning how adapting current models to his specific case has been a challenging experience. This makes one wonder if the Nuno Gama brand is luxury or fashion, for example.

Finally, the workshop organized by Catherine da Silveira, the business project academic advisor, has been of great help in understanding the business model of luxury brands, such as Prada or Gucci, and the way they successfully manage to feed the brand image in order to keep their luxury positioning in global market. This new piece of knowledge has been of great help in working on analyzing the Nuno Gama brand image and positioning.

c. Personal experience

i. Your key strengths & weaknesses - insights from participating in this project

My weakness is certainly the lack of clairvoyance in the brand analysis. The Nuno Gama brand is strongly linked to the designer and is totally unique. With my limited knowledge of brand management and of high end fashion retail market I would not have been able to do a correct brand diagnostic without my team. I believe the role of the academic advisor is very important too, especially in this particular project. I have been sometimes lost in the project, thinking “what should we do next?!” and she managed to successfully help us make sense of the project and to help structure it. Nuno Gama basically gave a bio of his professional life, as well as a couple of ideas and requirements for the concept store. The rest was up to us. I am grateful we could count on the help of a knowledgeable academic advisor.

Analytical skills have been useful in this project, particularly in understanding how other concept stores manage their businesses. The available information was quite limited and thinking out of the box was necessary.

ii. Plan to develop your areas of improvement

The best way to learn about brand management, retail of luxury goods and fashion is probably to get a job in those areas.

The lesson to be remembered is “when not knowing where looking, gathering knowledge about the (unknown) subject then narrowing down options up is the way to find out the best solution to implement”.

d. Benefit of hindsight: what added most value? What should have been done differently?

What added the most value to this project is its uniqueness and the opportunity to work with a renowned Portuguese artist. That implied having the occasion to meet only twice with him before the final presentation, and to understand that, artists, have a very different mindset than business students even if, like Nuno Gama, both evolve in the same world.

What could have been done differently is extending the business project in time to have the opportunity to implement the business project recommendations into the concept store, and to see their impact on Nuno Gama’s business *for real.*

Appendixes

Appendix A: figures

Figure 1.

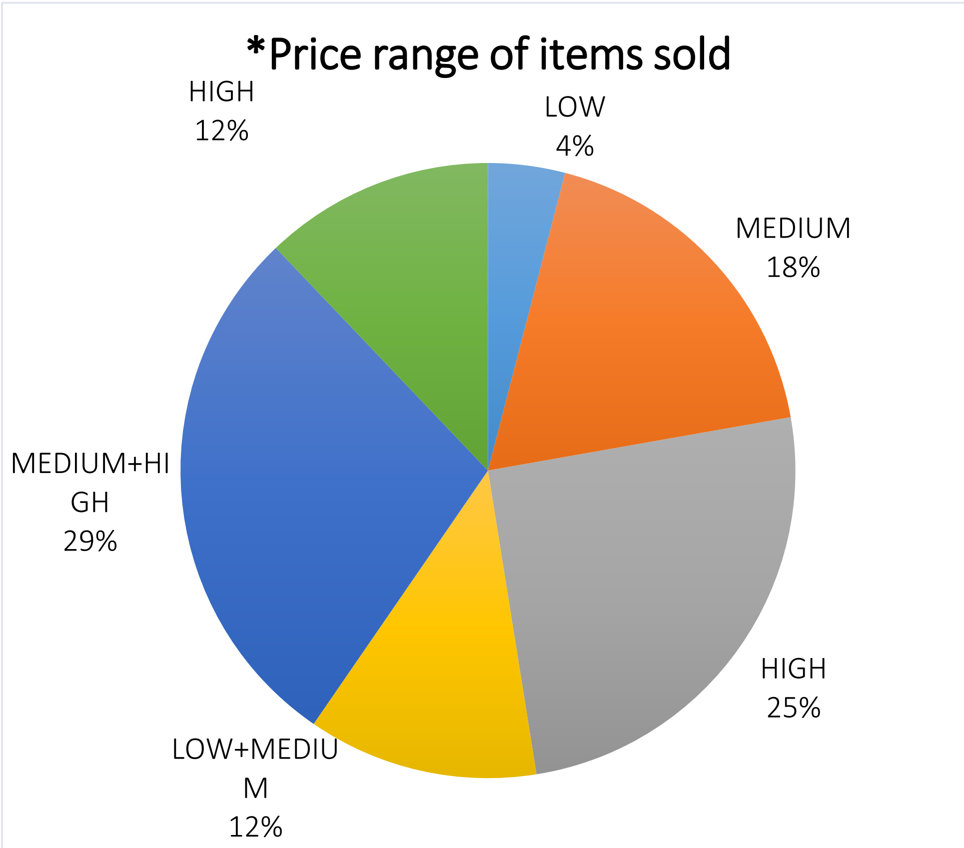

Figure 2.

Appendix B: list of concept stores used in the statistical analysis

NAME	COUNTRY	WEBSITE
Taiga	Austria	http://www.taiga.cc/
Park	Austria	http://www.park.co.at/
Pregenzer	Austria	http://www.pregenzer.com/
Tiberius	Austria	http://www.tiberius.at/
Clinic	Belgium	http://www.clinicantwerp.com/
Graanmarkt 13	Belgium	http://www.graanmarkt13.be/
Ra	Belgium	http://ra13.be/
Hunting and Collecting	Belgium	http://www.huntingandcollecting.com/
Farenah Concept	Bulgaria	http://www.farenah.com/
You Art Different	France	http://www.you-art-different.com/
Auguste	France	http://www.augusteparis.com/
Colette	France	http://www.colette.fr/
Le 66	France	http://www.le66.fr/
L'Eclaireur	France	http://www.leclaireur.com/
Merci	France	http://www.merci-merci.com/
Spree	France	http://www.spree.fr/
SHOP	Greece	http://www.shopermou112a.gr/
Ella	Iceland	http://www.ellabyel.com/About/Store/
Maximilian	Italy	http://www.maximilian.it/
Via Garibaldi 12	Italy	http://www.viagaribaldi12.com/
10 Corso Como	Italy	http://www.10corsocomo.com/
Spazio Rossana Orlandi	Italy	http://www.rossanaorlandi.com/
Wait and See	Italy	http://www.waitandsee.it/
White Gallery	Italy	http://www.whitegallery.it/
Hotel Droog	Netherlands	http://www.hoteldroog.com/
Friday Next	Netherlands	http://www.fridaynext.com/
Nukuhiva	Netherlands	http://www.nukuhiva.nl/
SPRMRKT	Netherlands	http://www.sprmrkt.nl/
Jill & Co	Netherlands	http://www.jillenco.nl/
Miyuki	Portugal	http://miyuki.pt/
Vincon	Spain	http://www.vincon.com/
Sluiz	Spain	http://www.sluiz-ibiza.com/
Isolée	Spain	http://www.isolee.com/
Carlson Ahnell	Sweden	http://www.carlsonahnell.se/
Maggs	Switzerland	http://www.maggs.ch/
Village	Switzerland	http://www.village-geneve.ch/
Livin' Room	Switzerland	http://www.livin-room.com/
DeeCee Style	Switzerland	http://www.deeceestyle.ch/
Eclectic Lifestyle	Switzerland	http://www.eclecticshop.ch/

Fashionslave	Switzerland	http://fashionslave.ch/
No. 2	Switzerland	http://www.numbertwo.ch/
Thema Selection	Switzerland	http://www.themaselection.ch/
Townhouse	Switzerland	http://www.ilovetownhouse.com/
Two Rooms	Switzerland	http://www.tworooms.ch/
Vestibule	Switzerland	http://www.vestibule.ch/
Darkroom	UK	http://www.darkroomlondon.com/
Dover Street Market	UK	http://www.doverstreetmarket.com/
LN-CC	UK	http://www.ln-cc.com/
Karl Lagerfeld	France	www.karl.com
Amorph	Germany	http://www.amorph-berlin.com/
Andreas Murkudis	Germany	http://www.andreasmurkudis.net/
Mientus Flagship Store	Germany	http://www.mientus.com/
Oukan	Germany	http://www.oukan71.com/
Quartier 206 Departmentstore	Germany	http://www.departmentstore-quartier206.com/
rung.napa	Germany	http://www.rungnapa-berlin.com/
The Corner	Germany	http://www.thecornerberlin.de/
Voo	Germany	http://www.vooberlin.com/
XXX	Germany	http://xxx-berlin.com/
Apropos	Germany	http://www.apropos-store.com/
Look!	Germany	http://www.look-conzept.de/
Simon und Renoldi	Germany	http://www.simonundrenoldi.com/
Apropos	Germany	http://www.apropos-store.com/
Uwe van Afferden	Germany	http://www.van-afferden.com/
Manpremi	Germany	http://manpremi.wordpress.com/
Lieblings…	Germany	http://lieblings.de/
The Listener	Germany	http://www.thelistener.de/
Uebervart	Germany	http://www.uebervart.de/
Lieblings…	Germany	http://lieblings.de/
Apropos	Germany	http://www.apropos-store.com/
Die Wäscherei	Germany	http://www.die-waescherei.info/
Geli's	Germany	http://www.gelisboutique.de/
Karin Bezner	Germany	http://www.karin-bezner.com/
Coup de Coeur	Germany	http://www.coup-de-coeur.de/
Apropos	Germany	http://www.apropos-store.com/
OSKAconcept	Germany	http://www.oskaconcept.de/de/seiten/galerie/
Pool	Germany	http://www.verypoolish.com/
Weißglut	Germany	http://www.weissglut-design.de/
B² Renate Schuler	Germany	http://www.renateschuler.de/
Ludwig3	Germany	http://www.ludwig3.de/
Johann	Germany	http://www.johann-store.de/
Merz & Benzing	Germany	http://www.merz-benzing.de/

Alphaville	Australia	http://www.alpha60.com.au/
Épatant	Australia	http://www.epatant.com/
Emporium	Azerbaijan	http://emporium.az/
Clube Chocolate	Brazil	http://www.frommers.com/destinations/sao-paulo/shopping/241497
Loja do Bispo	Brazil	http://www.lojadobispo.com.br/
Villa Daslu	Brazil	http://www.daslu.com.br/
Bombay Electric	India	www.facebook.com/bombayelectric/
Opening Ceremony	Japan	http://www.openingceremony.us/about/tokyo.html
Restir	Japan	www.restir.com
OddFish	Japan	http://theoddfish.tumblr.com/the%20store
Common People	Lebanon	http://www.commonpeople.com.mx/
33 Rue Majorelle	Mexico	http://www.facebook.com/33RueMajorelle
Supermarket	Serbia	http://www.supermarket.rs/
Blackmarket	Singapore	http://www.theblackmarket.sg/
Q	Thailand	http://www.qconceptstore.com/
Louis Boston	USA	http://www.louisboston.com/
Kuhl-Linscomb	USA	http://www.kuhl-linscomb.com/
Fitzsu	USA	http://www.fitzsu.com/
Khaki & Black	USA	http://www.khakiandblack.com/
Grand Opening	USA	http://www.139norfolk.com/
Moss	USA	http://www.mossonline.com/
Harputs Market	USA	http://www.harputsmarket.com/

Source: Alexander von Keyserlingk, Slow Retail, slowretail.wordpress.com